

FDIC State Profile

Summer 2004

Iowa

Employment performance remained mixed in the first quarter of 2004.

- Iowa's employment situation continued to improve, as the state added an additional 1,900 jobs in the first quarter of 2004 (See Chart 1). The finance and insurance and real estate sectors posted the largest gains in employment growth for the quarter.
- However, the manufacturing sector lost 700 jobs in the first quarter, following a one-time, modest gain in the fourth quarter of 2003.
- Increases in total employment for the first quarter lowered Iowa's unemployment rate to 4.1 percent, down slightly from the recent peak of 4.6 percent in the third quarter of 2003. Iowa's unemployment rate is substantially lower than the nation's 5.6 percent.

Prices continued to improve for all major commodities in the first quarter of 2004.

- Iowa led the United States in corn production again in 2003, with record harvests accounting for 19 percent of the nation's crop. Iowa ranked second in soybean production, with 15 percent of the nation's crop.
- Prices are projected to increase in 2004 because of strong domestic and export demand (See Chart 2). In particular, soybean prices are forecasted to increase substantially, reflecting a smaller-than-expected 2003 harvest and strong export demand.
- Hog prices continued to improve in the first quarter, and are forecasted to remain higher through 2004 because of strong domestic and export demand.

Depopulation in rural areas is a continuing challenge.

- Over two-thirds of Iowa's 99 counties have lost population since 1970, and in three of those counties, the pace of loss increased during the 1990s (See Map 1).
- Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor, and farmers have become less dependent on nearby small towns for input purchases and professional services.

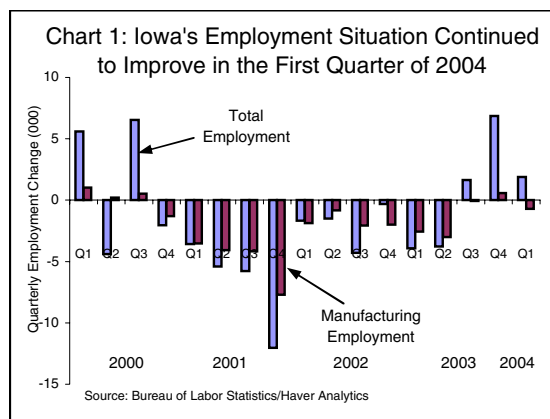


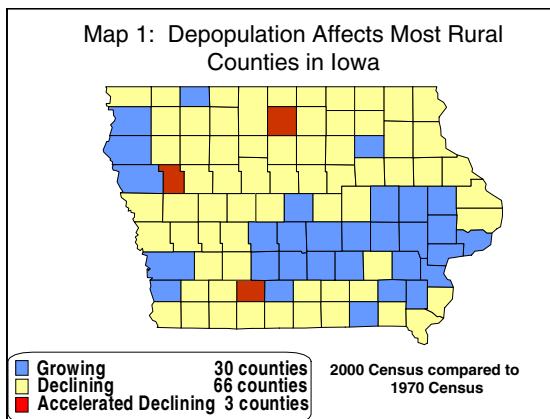
Chart 2: Commodity Prices Improved in 2003, and the Outlook is Strong for 2004

	2001	2002	Est 2003	Proj 2004	Proportion of State's Ag Revenue
Corn	1.85	1.97	2.32	2.50	30%
Soybeans	4.54	4.25	5.53	6.35	21%
Wheat	2.62	2.78	3.56	3.55	0%
Cattle	72.71	67.50	84.69	85.00	16%
Hogs	45.81	34.92	39.45	45.50	22%
Milk	14.97	12.10	12.45	13.55	4%

Note: Grain prices are for marketing year of each crop.

Crop quantities are per bushel; livestock and milk are per hundredweight

Source: USDA/WASDE May 12, 2004



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- As a result, people have migrated from rural to metropolitan areas seeking better employment opportunities.
- Counties that are losing population more rapidly may be in danger of losing economic viability, as shrinking tax rolls may make essential infrastructure, such as utilities and school systems, difficult to maintain.

Iowa's insured institutions continue to report satisfactory consumer loan quality.

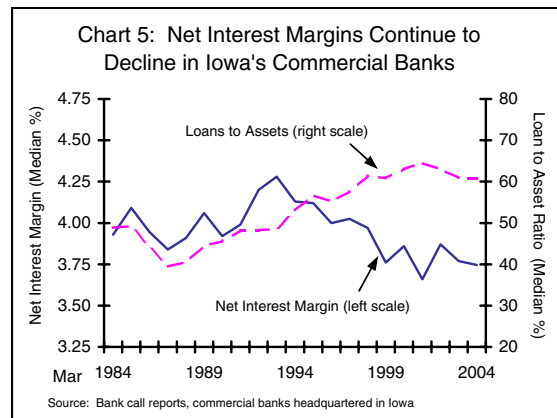
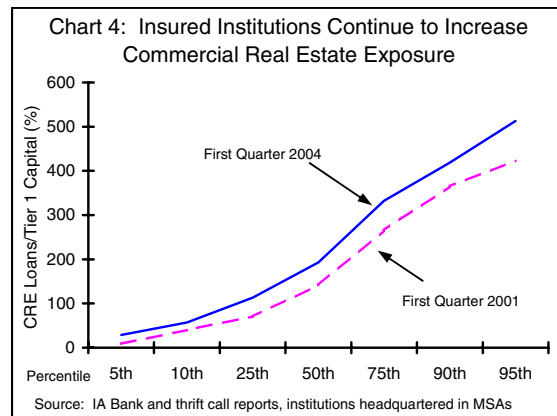
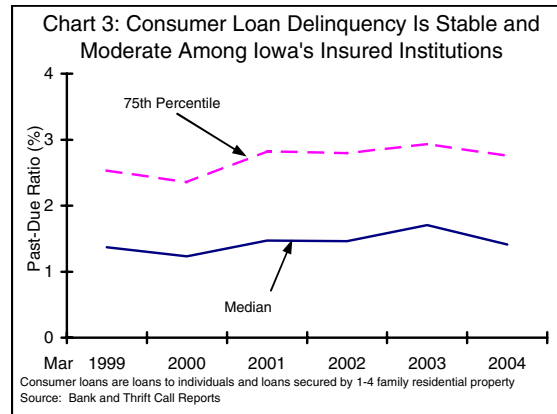
- Consumer loan quality among Iowa's insured institutions remained satisfactory throughout the economic downturn.
- Delinquency ratios increased only slightly during the worst of the recession and appear to be declining again (See Chart 3). All but the top quartile of institutions reported past due ratios of 2.76 percent or less at March 2004.
- Net charge-offs remain negligible as well, and loan-loss reserve coverage remains strong.

Iowa's metropolitan institutions have increased their commercial real estate exposure.

- Exposure to commercial real estate (CRE) has increased substantially over the past few years, despite weakened CRE market fundamentals across the nation (See Chart 4). Most of the growth has been in nonresidential, nonfarm, and construction and development properties, which are historically volatile CRE segments.
- Despite weakened markets and increased CRE loan volume, CRE delinquencies and net charge-offs remain low.

Commercial banks in Iowa continue to experience declining net interest margins.

- Net interest margins (NIMs) generally have been declining since 1993, excepting recent short-term volatility coinciding with interest rate movements over the past few years (See Chart 5).
- This NIM compression has occurred despite consistent growth in loan-to-assets ratios (LTAs). LTAs are now at levels not seen since before the 1980s' agricultural crisis. The high LTAs at that time largely resulted from excessive lending to farm borrowers during a period of speculative farmland investing.
- Iowa's commercial banks are currently generating nearly the lowest profit per dollar of credit exposure than at any time during the past 25 years. Regardless, asset quality remains sound and capital protection remains strong.



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Iowa at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	419	431	437	452	468
Total Assets (in thousands)	50,260,426	56,188,452	51,560,590	49,998,762	49,466,367
New Institutions (# < 3 years)	4	7	14	21	25
New Institutions (# < 9 years)	35	40	40	42	41
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.20	8.96	8.90	9.14	9.27
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.61%	2.10%	1.97%	1.79%	1.57%
Past-Due and Nonaccrual >= 5%	33	54	46	40	33
ALLL/Total Loans (median %)	1.28%	1.29%	1.25%	1.21%	1.25%
ALLL/Noncurrent Loans (median multiple)	2.36	1.95	1.78	2.41	2.71
Net Loan Losses/Loans (aggregate)	0.11%	0.17%	0.22%	0.20%	0.15%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	8	16	20	19	28
Percent Unprofitable	1.91%	3.71%	4.58%	4.20%	5.98%
Return on Assets (median %)	1.13	1.16	1.17	1.03	1.06
25th Percentile	0.85	0.80	0.80	0.71	0.75
Net Interest Margin (median %)	3.74%	3.75%	3.87%	3.63%	3.85%
Yield on Earning Assets (median)	5.51%	6.00%	6.76%	7.88%	7.75%
Cost of Funding Earning Assets (median)	1.71%	2.21%	2.91%	4.24%	3.87%
Provisions to Avg. Assets (median)	0.05%	0.06%	0.07%	0.06%	0.06%
Noninterest Income to Avg. Assets (median)	0.53%	0.54%	0.51%	0.50%	0.49%
Overhead to Avg. Assets (median)	2.55%	2.54%	2.55%	2.53%	2.58%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	75.81%	74.80%	76.50%	78.94%	74.64%
Loans to Assets (median %)	62.14%	62.09%	63.59%	64.95%	63.52%
Brokered Deposits (# of Institutions)	82	74	60	51	52
Bro. Deps./Assets (median for above inst.)	1.56%	1.48%	1.59%	1.20%	1.34%
Noncore Funding to Assets (median)	14.71%	14.64%	14.44%	15.08%	12.85%
Core Funding to Assets (median)	73.49%	73.54%	74.62%	73.18%	75.63%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	295	302	307	322	332
National	48	51	48	46	47
State Member	55	55	58	60	64
S&L	3	5	5	5	5
Savings Bank	16	18	19	19	20
Stock and Mutual SB	2	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	330	30,673,846	78.76%	61.03%	
Des Moines IA	24	8,079,745	5.73%	16.08%	
Cedar Rapids IA	19	1,826,601	4.53%	3.63%	
Davenport-Moline-Rock Island IA-IL	11	2,712,642	2.63%	5.40%	
Sioux City IA-NE	8	1,635,051	1.91%	3.25%	
Dubuque IA	8	1,894,368	1.91%	3.77%	
Iowa City IA	7	2,020,938	1.67%	4.02%	
Waterloo-Cedar Falls IA	6	876,449	1.43%	1.74%	
Omaha NE-IA	6	540,786	1.43%	1.08%	